BRIEFING

BRIEFING FOR COMMISSIONER BRETON

MEETING WITH TELEFÓNICA

Context of the meeting

• The meeting is with Telefónica.

Out of scope

•
Infrastructure investments – Financial support

State of play

- Telefónica is present in other countries in the EU other than Spain (i.e. Italy and Germany) and beyond (United Kingdom, Brazil, among others).

- Telefónica Infra’s [investment portfolio] currently comprises a 25% stake in FiBrasil, a 40% stake in Unsere Grüne Glasfaser (UGG), a minority stake in Nabix and a 50.01% stake in Telxius Telecom.

Suggested LTT

- The Commission appreciates Telefónica’s active involvement in supporting the connectivity objectives set out in the Digital Decade policy programme.

Commercial interests pursuant to Article 4(2) first indent and ongoing decision-making process pursuant to Article 4(3) first subpara
Commercial interests pursuant to Art 4(2) first indent and ongoing decision-making process pursuant to Article 4(3) first subpara

Annex

Commercial interests pursuant to Art 4(2) first indent
OTTs contribution to telecommunications infrastructure

Scene setter

- European telcos have for some time been vocal about the need for over-the-top (OTT) players to make what they consider a “fair contribution” to network costs.

- In January 2022, the Commission proposed a Declaration on digital rights and principles, which contains a commitment to “developing adequate frameworks so that all market actors benefiting from the digital transformation assume their social responsibilities and make a fair and proportionate contribution to the costs of public goods, services and infrastructures, for the benefit of all Europeans”. A similar statement was included in a recital of the Digital Decade Policy Programme that was politically agreed by co-legislators in July 2022.

Main Messages

- The relations between providers of electronic communications networks and services and content providers are of commercial nature and shaped by the parties. These typically include some contributions and payments. At least some content providers seem to be offering such contributions to the operators whose networks they use to reach their customers.

- Achieving gigabit connectivity is a key goal towards the Commission’s vision for Europe’s digital transformation by 2030.
However, network investments needs should be considered in light of the wider context of various political and regulatory initiatives, such as the 2030 connectivity targets set in the Digital Decade.

To support the ambitious connectivity targets, the Commission has set out a pro-investment regulatory framework in the European Electronic Communications Code, the 2020 Relevant Markets Recommendation and the Connectivity Toolbox.

Also, a number of upcoming initiatives such as the review of the Broadband Cost Reduction Directive and of the Access Recommendations are aimed at setting the right conditions for timely and more efficient network deployment that supports operators.

- We do need to increase investments for more modern and more resilient networks across the EU.

- In this context, the issue of fair and proportional contribution is part of our reflection, as indicated by EVP Vestager and me – and in full respect of EU net neutrality rules.

- The Commission is engaging in an open dialogue with all stakeholders.

- We recognize the need to safeguard the innovation and growth of the internet ecosystem for the benefit of the European economy and the ultimately consumers.

- As to any specific timeline, it is too early to announce any plans.

**Defensives**

**When will the Commission publish a proposal on fair share?**

- The topic of a potential need for a “fair contribution” to network costs by over-the-top (OTT) players is a complex issue that deserves proper reflection and any decision should be made by understanding the underlying facts and figures. The Commission has seen the relevant reports on the topic and is engaging in an open dialogue with all stakeholders. We take note of the various positions and arguments raised.
**In what direction is the Commission going on the fair share discussions?**

- The Commission services are currently looking into the topic but do not have more information to share at the moment.

**Background**

- In November 2021, a joint letter from four telco CEOs called for a renewed effort to rebalance the relationship between global technology giants and the European digital ecosystem, for big tech platforms to contribute fairly to network costs.

- In January 2022, the Commission proposed a Declaration on digital rights and principles for a human-centred digital transformation. In Chapter II: Solidarity and inclusion, it contains a commitment to “developing adequate frameworks so that all market actors benefiting from the digital transformation assume their social responsibilities and make a fair and proportionate contribution to the costs of public goods, services and infrastructures, for the benefit of all Europeans”. At the same time, there is a commitment to protecting a neutral and open Internet where content, services, and applications are not unjustifiably blocked or degraded.

- In February 2022, CEOs of Telefonica, DT, Vodafone and Orange published a letter calling for large content platforms to contribute to the cost of the European digital infrastructure that carries their services. They urgently called upon legislators to introduce rules at EU level to make the principle that all market
players benefiting from the digital transformation make a fair and proportionate contribution to the costs of public goods, services and infrastructures a reality.

- In February 2022, WIK-Consult issued a report on a study conducted for the Federal Network Agency of Germany (BNetzA), which analyses the competitive conditions on transit and peering markets. After an analysis of the relevant developments in the markets and by focusing on the Implications for Europe's digital sovereignty, the study concluded that the main focus of regulation, if any, should be on ensuring an open and neutral internet to avoid artificial bottlenecks and privatization of the internet by some very large parties.

- In April 2022, Frontier economics published a study on the estimation of OTT traffic related costs on European telcos, which was commissioned by 4 major European telcos (namely Deutsche Telekom, Orange, Telefonica and Vodafone). The study concluded in specific estimations regarding the above costs for both the fixed and mobile networks. Specifically, in the range of EUR 8-10 bln for fixed and EUR 28-30 bln for mobile, translating to EUR 40-47 for fixed and EUR 43-46 for mobile subscriber, per year.

- In May 2022, Axon Partners Group Consulting published a study on the “socio-economic benefits of a fairer balance between tech giants and telecom operators”, which was commissioned by the European Telecommunications Network Operators’ Association (“ETNO”). The study concluded that regulatory and policy measures are required to achieve the benefits of the fair share contribution and specifically, direct compensation by the OTT players of a certain size and/or creation of an obligation for the OTTs to negotiate agreements with telcos to contribute to the network usage costs.

- In July 2022, the co-legislators reached a political agreement on the proposal on the “Path to the Digital Decade policy programme”, that inter alia contains the aim that “all market actors benefiting from the digital transformation should assume their social responsibilities and make a fair and proportionate contribution to the public goods, services and infrastructures, for the benefit of all Europeans.” [Rec. 7a]

- In a July 2022 report by Communications Chambers for the CCIA (Computer & Communications Industry Association), the Axon report was sharply criticised and it was pointed out that incremental costs for network capacity are actually limited and that data growth drives uptake of new and faster connectivity, thereby being essential to the business case of telcos. The authors argue that an “internet tax” would not affect investment and just give rise to a windfall for telco shareholders. It might, however, negatively affect the digitalisation of the economy, also an important EU policy goal. Experience following the introduction of such a “tax” in South Korea has been conclusively negative. Lastly, there are issues of fairness in allocation of the proceeds of such a tax, which could affect competition and contestability in the internet access market.

- On 8 July, ACT, an association of broadcasters and on-demand video services, came out strongly against such a tax, which they stated would reduce investment in content and violate net neutrality.

- On 12 July 2022, a large number of MEPs from various political groups wrote to EVP Vestager and me expressing concerns at the prospect of such an intervention.
• In a first reaction from a consumer association, on 1 August 2022 the German VZBV opposed the concept on similar grounds to those already mentioned. They also called for a full consultation and impact assessment ahead of the adoption of any proposals. They noted that by adopting (subsequently determined to be illegal) zero-rating tariff plans and other promotional practices, the telecoms industry in fact has incentivised the very growth in data traffic they are now claiming generates problems and excessive costs.

• As regards the reaction of Member States, on 19 July 2022 Denmark, Estonia, Finland, Germany, Ireland, the Netherlands and Sweden wrote to the Commission calling for caution and careful examination before the tabling of any proposal or package. The letter also urges the Commission to wait for the BEREC study and take full account of that.

• On 29 July 2022, the representatives of France, Italy and Spain sent a joint paper to the Commission urging it to swiftly deliver on its analysis regarding the question of a fair share. They emphasise the need for an open and transparent debate about it, with an early involvement of the Member States and other stakeholders. They call for a legislative proposal to be in line with the Declaration of Rights and Principles and the recent agreement on the Digital Decade, which are both calling for an adequate framework ensuring all market players contribute to digital infrastructures costs in order to ensure fairness between users in accordance with the net neutrality rules, which is a core principle that we absolutely need to preserve.
The review of the Broadband Cost Reduction Directive (BCRD)

State of play
- The 2014 Broadband Cost Reduction Directive (BCRD) seeks to support the deployment of high speed broadband by reducing costs associated with civil works and streamlining administrative procedures for network deployment.
Ongoing decision-making process

Contact(s) – briefing contribution:
Context and Telefonica’s position:

- The 2030 Policy Programme –“Path to the Digital Decade” (“DDPP”), was agreed at political level on the 14 July, and it is expected to enter into force but the end of 2022.

- The Commission is already working on the implementation steps to put in place a robust, reliable and effective governance. The first Report on the Digital Decade should be issued in June 2023 and national strategic roadmaps should be presented most probably by September 2023.

- Telefónica, is fully committed to the Path to the digital decade, in particular the newly defined targets for Gigabit networks and 5G, as they reflect its ambitious strategy of investment in digital infrastructures. In particular, on the four pillars:

  - **Skills**: they consider digital education and reskilling projects, to be crucial and this is proved by successful training initiatives already taken: (Conecta Empleo, Telefónica Digital Education and Reskilling 4 Employment).

  - **Connectivity**: they consider that ambitious connectivity targets should go hand in hand with a commitment towards a more favourable policy and regulatory framework supporting private investments in network infrastructure. Telefonica is one of the advocates of regulatory intervention to ensure fair contribution from OTTs to the deployment of network infrastructure.

  - The following are potential aspects that can drive competitiveness and investments:

    - There is an urgent need to release available and sufficient 5G spectrum for potential investment, remove deployment barriers in the form of permits, and alleviate related site costs.
    - Align competition policy approaches with the industrial policy vision favouring scale through pan-European and in-market consolidation and implement regulatory practice for the telecoms sector (limiting ex ante regulation to avoid overregulation).
    - For an interconnected sovereign EU cloud ecosystem to scale, industry efforts alone are not enough. The public sector needs to generate key demand and needs to drive demand for the to-be-developed EU cloud standards in public tenders. And this needs to be done at all levels, EU, national, regional and local level.
    - The success of a European-based cloud infrastructure depends on its scale and better functionality, benefits, which will attract users from existing solutions. Another potential benefit would be to seed the European cloud and edge with data. Regulation reinforcing trust in data and data services (data transparency, data protection, algorithm explainability) would be helpful.

  - **Transformation of business**: Priority actions should be focused on the activation and facilitating of the digitalisation of SMEs as the most needed segment to be helped now.
**Transformation of public services:** according to Telefonica the first barrier we see is fragmentation of public services both at national but also at EU level. The second burden is interoperability between the digital models, with a single data model and common functionalities across different geographies.

- Other key areas that will be key in their view for enhancing the transition and reinforcing demand side are education, taxing, and justice.

- **Governance:** Telefonica welcomes also the creation of governance mechanism. The European Commission should play a key role as a convener and facilitator bringing together relevant authorities from the Member States to discuss different policy aspects with direct impact on the progress towards the digital transformation targets.

- Telefonica is also fully supportive of the **Solemn Declaration on Digital rights and Principles.**

**Suggested LTT**

- The Digital Decade will lay the foundations for people-centered digitization and we are aware that to defend European values we have to generate economic value and scale. For this reason the Digital Decade Policy Programme promotes a renewed digital ambition for the EU to be digitally sovereign in an open and interconnected world.

- Progress on digital infrastructure and especially connectivity is an unavoidable prerequisite for the digitalisation of businesses and public services. The Digital Decade aims to extend the objectives of Gigabit society from 2025 to 2030. At the end of the decade, we want to achieve gigabit connectivity for all businesses and households in the EU and 5G mobile coverage of all populated areas in the Union, including rural areas.

- The focus on the importance of leaving no one behind, requires not only providing adequate connectivity but also and foremost the adequate skills. We also intend to support the demand side with transformation of business and public services.

- Cutting-edge European capabilities require a critical mass of funding and alignment of all actors including private stakeholders. Multinational projects are an important element of this framework. These large-scale projects should pool investments from EU funding resources, including under the Recovery and Resilience Facility, as well as from Member States and private investors, to ensure greater and targeted digital investments to make the European economy more competitive, resilient and less fragmented.

- The Commission will support Member States in identifying and implementing such projects to ensure broad participation and successful implementation. A first list of projects, discussed with Member States in the framework of the RRF, includes a project for the deployment of pan-European 5G corridors along the TEN-T networks for the benefit of the single market and cohesion.
Policy initiatives are only impactful when their implementation and enforcement is duly pursued and coordinated at national and European level. This is one of the main objectives novel governance framework designed in the Path to the Digital Decade, and based on an annual cooperation mechanism with Member States to discuss collective progress, take joint and targeted action.

The Commission will also strongly promote our core interests and values, through three overarching principles: a level playing field in digital markets, a secure cyberspace and upholding fundamental rights online. In particular, we are aware that all market actors benefiting from the digital transformation should observe their social responsibilities and make a fair and proportionate contribution to the public goods, services and infrastructures, for the benefit of all Europeans.

BACKGROUND

The Policy Programme a “Path to the Digital Decade” (DDPP) follow the Commission’s Communication “2030 Digital Compass: the European Way for the Digital Decade” which presented a vision for an inclusive and sustainable digital transformation based on European values and leadership, empowering all EU citizens and businesses to access and use the infrastructures, technology and data they need.

It confirmed the targets set around four cardinal points: (1) a digitally skilled population and highly skilled digital professionals, (2) secure and performant sustainable digital infrastructures, (3) the digital transformation of businesses, and (4) the digitalisation of public services.

The DDPP identifies excellent connectivity and the comprehensive deployment of the gigabit infrastructure as key to reaching the Digital Decade objectives and sets the following targets for 2030:

- all end users at a fixed location covered by a gigabit network up to the network termination point, (2020 baseline: 59%)
- all populated areas covered by next-generation wireless high-speed networks with performance at least equivalent to that of 5G”, (2021 baseline: 14%)
Main messages

- The metaverse represents the next step of the Internet and how the world will evolve in the next 50 years.

- It is opening up a wide range of opportunities in many industrial sectors (such as for example manufacturing or logistics) as well as in societal areas (such as health and education).

- As applications are expanding, there are enormous opportunities for European SMEs and bigger industries to develop specialised products and services in the metaverse. More and more citizens will be making use of the metaverse as more immersive and engaging content and applications will be on offer.

- The contributions of XR are economic but also socio-cultural as such technologies can play an important role in the European integration, the promotion of the European lifestyle, and the definition of our common values.

- This is why it is crucial for the EU to be proactive in the development of the metaverse and in leading important complex and multidimensional challenges such as setting standards or addressing societal and ethical aspects.

- The EU is strong in R&D in relation to content creation as well as middleware and software development. In relation to hardware, while we see that innovation is mainly driven by SMEs and start-ups, big companies are also investing in the development of XR technologies. Moreover, the investments made in key public mission-type digital twins (such as digital twin of the earth, digital twin of the human body, etc.) will be essential in exploiting the opportunities of the metaverse.

- We intend to launch a vast engagement process on the metaverse with all relevant stakeholders as well as a wide consultation with citizens and civil society. We would like to open the broad consultation by the first quarter of next year.

- Moreover, the Commission will also shortly launch the EU VR/AR Industrial Coalition, that was announced in December 2020 in the Media and Audiovisual Action Plan. This Coalition is an important step to consolidate the European ecosystem which is fragmented.

Defensives

Question

Q: What is the Commission’s position in relation to metaverse?

A: Europe needs to proactively act to support Europe’s competiveness and European values in the metaverse, and we are actively working towards it.

We want innovation to flourish and consumers to take the best out of these new services by preventing market concentration issues. That will ensure a healthy diversity of providers of metaverses. Interoperability rules can also be a driver of innovation and quality in this area.

All operators offering services in the internal market must ensure full compliance with the applicable legislation and respect European values (such as respect of privacy, non-discrimination and consumer protection). Extended reality and metaverses are no exception to the rule.
It is vital to support European metaverses for both industrial and societal use and ensure that data generated through the use of metaverses stay in the EU and can be used by our industries.

In terms of investment, the Commission has been funding research and innovation in XR, one of the core technologies of the metaverse, since 2018. However, we need to step up our investments as we are still far from the investments seen in Asia and in the US.

Q: How can Europe compete with large Asian and US companies?

A: Europe is strong in research and innovation, with excellent academia, for middleware and software and content creation, which are required in the metaverse to create appealing realistic virtual worlds and environments.

Most of the European actors are SMEs but there are also big companies in domains, such as the construction and manufacturing industries (including automotive, trains, etc.), telecommunications or the electronic industry.

In an effort to consolidate the European XR fragmented ecosystem, close to 50 organisations from the XR value chain have endorsed so far the Roadmap of the AR/VR Industrial Coalition, initiated by the European Commission. The objective is that the Coalition becomes the reference platform for policy-makers and stakeholders to discuss together how to go forward.

Background

Metaverse

- There is no scientific definition nor a single approach of the metaverse. The metaverse is not a new concept per se as it is a network of virtual worlds composed of various building blocks, such as eXtended Reality (including Virtual and Augmented reality, 3D) technologies for the immersiveness, the platforms (for the access and discovery part), the infrastructure and devices (such as glasses) and the enablers (such as security, privacy and blockchain).
eXtended Reality (XR) Technologies are core technologies for the metaverse, but for building metaverses and having a seamless blending of the virtual and real world, it is also needed to have high connectivity, lower latency, high bandwidth, computational efficiency etc.

The real-life applications are impressive, and they go well beyond entertainment (e.g. for gaming or cultural events), although we should not forget that videogames are a multi-billion Euro industry, with major European players.

The social dimension of VR/AR technologies is wide and covers various important aspects, such as access and availability of skills, better inclusion of persons with disabilities, improvement of well-being or fostering of tolerance and moral values.

In this sense, VR and AR technologies have the potential of improving accessibility to education and health, for example in remote and rural areas, and thus providing further equality of opportunities.

The metaverse and European telcos

"Telcos will be the entry point for the metaverse, the entry point because of connectivity, but also because of customer relations, the customer wants access to a digital world," told Euronews Next.

Deutsche Telekom and the South Korean SK Telecom have signed a strategic deal to form an alliance and bring the latter's metaverse platform to the European market. Together, they are set to perform a field test for metaverse operation in Europe before this year ends. SK Telecom and Deutsche Telekom will begin the launch of ifland (the metaverse platform of SK Telecom) designed to maximize user experience through diverse virtual spaces and avatars in Germany in the last quarter of 2022.

The metaverse has huge business potential for telecommunication companies, who can offer new services on the market and increase their operational efficiency. Opportunities for telecom companies in the metaverse are also related to investing in emerging metaverse platforms.

However, telecom operators will face some key challenges in relation to infrastructure (data centres, IT equipment, cloud infrastructure) but also physical networks (antennas, towers, cable, etc). This is because of the extremely high demands of the metaverse in terms of bandwidth and latency as well as the overall increase of data usage.

Telefónica and the metaverse

Telefónica announced in April 2022 creating a global alliance with five of the world's leading telcos: Bouygues Telecom, Cellnex, KPN, MTN and WINDTRE. The result is the Alian program and its objective is to share resources and experience to generate different use cases on 5G, fiber optics, customer experience, sustainable development, metaverse, etc.

Telefónica, through Wayra, its open innovation hub, opened in March 2022 a global call for disruptive startups with metaverse solutions. Open2metaverse aims to support the successful companies reach global scale and connect them with Telefónica to generate joint business opportunities.

Telefónica, had a stand associated with the metaverse during the Mobile World Congress (MWC) that took place in Barcelona this spring where users could connect with experts, attend presentations, and enjoy a new experience.
Other initiatives of Telefónica related to metaverse include the collaboration with Gamium for avatar-centric metaverse as well as the development of the metaverse of the Rafa Nadal Academy by Movistar, a 3D virtual space where users can get to know one of the world’s leading sports centers without having to physically move.

**Market numbers**

- The Extended Reality (XR) market is projected to grow from $42.55 billion (€35 billion) in 2020 to $333.16 billion (€272 billion) by 2025 (Research and Markets, 2020).

- The total market value of the European VR/AR industry is expected to increase to between €35 billion and €65 billion by 2025 (Ecorys, 2021). According to Ecorys estimates (2021), the European XR market growth is expected to directly create new employment for up to 860,000 people for 2020-2025.

- Europe accounts for roughly 15% of worldwide AR/VR spend, with European spending forecast to be $1.6 billion in 2020. (IDC, 2020/10).
Cybersecurity

State of play - NIS2

- On 13 May this year, political agreement between the European Parliament and EU Member States has been reached on the Directive on measures for a high common level of cybersecurity across the Union (NIS 2 Directive).
- The NIS2 Directive as agreed by the co-legislators on 13 May 2022 covers the following sectors and subsectors:
  - **Sectors of high criticality**: energy (electricity, district heating and cooling, oil, gas and hydrogen); transport (air, rail, water and road); banking; financial market infrastructures; health; manufacture of pharmaceutical products including vaccines, and of critical medical devices; drinking water; waste water; digital infrastructure (internet exchange points; DNS providers; TLD name registries; cloud computing service providers; data centre service providers; content delivery networks; trust service providers; public electronic communications networks and electronic communications services); Managed service providers, managed security service providers, public administration at central and regional level; and space. Large-sized companies of these type of sectors are considered by default essential entities and as such are subject to ex post and ex-ante supervision by the competent authorities.
  - **Other critical sectors**: postal and courier services; waste management; chemicals; food; manufacturing of other medical devices, computers and electronics, machinery equipment, motor vehicles; and digital providers (online market places, online search engines, and social networking service platforms), research organisations (excluding education organisations). Companies providing services in these sectors are considered by default important entities and as such subject only to ex-post supervision by the competent authorities.
- At the same time, NIS 2 leaves some flexibility for Member States to identify smaller entities with a high security risk profile.
- The Directive introduces more stringent supervisory measures for national authorities, stricter enforcement requirements and aims at harmonising sanctions regimes across Member States.

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1 From this rule are exempted for example the following categories of operators: qualified trust service providers, Top-Level-Domain Name registries, DNS service providers as those are considered essential entities regardless of their size.

2 This means that competent authorities can take actions and exercise it supervisory tasks only if there is evidence or indication that the company is possibly not compliant with the obligations under the Directive.
Ongoing decision-making process pursuant to Art 4(3) first subpara
Ongoing decision-making process pursuant to Art 4(3) first subpara
Personal data Basis CAB BRETON/1728-Meeting Commissioner Breton and Telefónica

Ongoing decision-making process pursuant to Art 4(3) first subpara

Contact(s) – briefing contribution:
Ongoing decision-making process pursuant to Art 4(3) first subpara
Background
Spain’s DESI and telecom market overview

- Spain is one of the EU’s top performers on digital connectivity, ranking 3rd among the EU Member States and is making progress towards achieving the 2025 gigabit targets and the Digital Decade connectivity targets for 2030 (i.e., gigabit for everyone and 5G everywhere).

- Spain performs particularly well in fixed very high capacity network (VHCN) coverage (94% compared to an EU average of 70%), while being only a mid-performer on 5G coverage, mainly due to some delay in auctioning all 5G pioneer bands.

- The auction of the 700 MHz band (the second of the pioneer bands to be auctioned in Spain after the 3.6 - 3.8 GHz band in 2018) ended in July 2021 (rights of use have been assigned to Telefónica, Orange and Vodafone) and the 26 GHz band is expected to be auctioned by the end of 2022.

- 5G spectrum allocation together with a wide range of measures outlined in Component 15 of Spain’s RRP should lead to a rapid increase in 5G coverage in Spain (5G spectrum and 5G coverage increased dramatically in 2021 and is expected continue to increase rapidly within the next 3 years).

- Fixed VHCN coverage is still increasing as well (by 2 percentage points since the previous year) as persistent gaps between urban and rural areas are starting to close (71.5% of VHCN coverage in rural areas, up from 64.2% the previous year).

- Under Spain’s Recovery and Resilience Plan, the country has launched the Universalisation of Digital Infrastructures for Cohesion (ÚNICO-Banda Ancha) programme in 2021, with the aim of providing fixed broadband networks offering symmetric 300 Mbps speeds, upgradeable to 1 Gbps, to the premises located in rural, remote and less populated areas.

- A national roadmap for the implementation of the Connectivity Toolbox sets out 30 measures to improve the rollout of fixed and mobile VHCN while helping network operators to reduce the costs of deployment.

- High degree of VHCN coverage was achieved mainly through private investment in Spain so far but public funding, mainly Recovery and Resilience facility (RRF) funding, is now earmarked for the deployment of 5G and VHC networks, especially in rural areas, in case market failures on unmet users’ needs are proved.

- Broadband retail prices and market margins are more and more tight in Spain and operators claim to not have enough financial capacity to face the current deployment phase (the market started a consolidation phase in 2021 throughout mergers and withdrawals of second brands from the market).

- In March 2022, Orange and MásMóvil (the second and the fourth largest operator in Spain, respectively) announced the start of exclusive discussions to create a 50/50 joint venture. The new entity would be a new incumbent operator, accounting for around 40% of fibre and mobile market share (Telefónica’s mobile market share was 28% in 2021).

- OTTs’ market share (streaming services) is steadily growing, and more than a half of the Spanish households (53%) are subscribed to at least one OTT pay-TV service.
Telefónica, Orange and Vodafone maintain their significant, albeit steadily decreasing, market share in the fixed broadband market (79% in Q2 2021, almost 4 percentage points less than the previous year) and Telefónica experienced the biggest reduction (over 2 p.p.) between Q2 2021 vs. Q2 2020.

In October 2021, the Spanish National Regulatory Authority CNMC increased from 66 to 696 the number of municipalities it considered to be "competitive zones" (covering around 70% of Spain's population), meaning that Telefónica is no longer obliged to provide access to its fibre network in this areas.

Figure 1: DESI 2022 – Connectivity Chapter

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<tr>
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<th>DESI 2020</th>
<th>DESI 2021</th>
<th>DESI 2022</th>
<th>EU DESI 2022</th>
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</thead>
<tbody>
<tr>
<td><strong>2a1 Overall fixed broadband take-up</strong></td>
<td>78%</td>
<td>82%</td>
<td>83%</td>
<td>77%</td>
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<tr>
<td>% households</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
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<td><strong>2a2 At least 100 Mbps fixed broadband take-up</strong></td>
<td>53%</td>
<td>65%</td>
<td>72%</td>
<td>40%</td>
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<tr>
<td>% households</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
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<tr>
<td><strong>2a3 At least 1 Gbps take-up</strong></td>
<td>&lt;0.01%</td>
<td>&lt;0.01%</td>
<td>0.02%</td>
<td>7.52%</td>
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<td>% households</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
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<tr>
<td><strong>2b1 Fast broadband (NGA) coverage</strong></td>
<td>90%</td>
<td>92%</td>
<td>94%</td>
<td>90%</td>
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<td>% households</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
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<td><strong>2b2 Fixed Very High Capacity Network (VHCN) coverage</strong></td>
<td>89%</td>
<td>92%</td>
<td>94%</td>
<td>70%</td>
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<tr>
<td>% households</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
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<td><strong>2c1 5G readiness</strong></td>
<td>30%</td>
<td>65%</td>
<td>65%</td>
<td>56%</td>
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<td>Assigned spectrum as a % of total harmonised 5G spectrum</td>
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<td>09/2021</td>
<td>01/2022</td>
<td>01/2022</td>
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<td><strong>2c2 5G coverage</strong></td>
<td>NA</td>
<td>13%</td>
<td>59%</td>
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<tr>
<td>% populated areas</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
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<tr>
<td><strong>2c3 Mobile broadband take-up</strong></td>
<td>85%</td>
<td>85%</td>
<td>94%</td>
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<tr>
<td>% individuals</td>
<td>2018</td>
<td>2018</td>
<td>2021</td>
<td>2021</td>
</tr>
<tr>
<td><strong>2d1 Broadband price index</strong></td>
<td>52</td>
<td>73</td>
<td>83</td>
<td>73</td>
</tr>
<tr>
<td>Score (0-100)</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
</tr>
</tbody>
</table>

Figure 2: Market shares by number of fix broadband lines in Spain

Source: CNMC. Q2 2020 Quarterly Report
About Telefónica SA

- Telefónica is one of the World’s largest Telecommunications companies and Europe’s third largest.
- Telefónica is not only a telecom operator but also an IT enterprise with a diversified business model that provides services in new environments and advanced technologies such as IoT, Big data, Cloud, cybersecurity, or AI (through Telefónica Tech).
- Telefónica is the master brand of Telefónica SA, which heads on corporate and institutional communications at a global level, while the company also trades through 3 different commercial brands in each of the different areas where the company is set up: Movistar for Spain and Hispanic America, O2 in Europe and Vivo in Brazil.
- Telefónica also provides audio-visual services and content in Spain though Telefónica’s pay-TV platform, Movistar+ (former DTS - Canal+ Spain), with a wide number of majors’ channels, national and international linear TV channels, main OTT’s platforms, and Telefónica’s own TV channel “#0”.
- On pay-TV, sports (especially football), premium series, and films, are the key drivers in Spain but only Telefónica (owner of La Liga broadcasting rights in Spain) and Orange provided football content since 2018 (after Vodafone’s pull out) until this year (the remedies that CNMC introduced to the merger between Telefónica and DTS (Canal+) in 2015 are set to expire in 2023.
- In December 2021 DAZN acquired 45% of LaLiga rights from season 2022/23 until 2026/27. Telefónica owns the rest of those rights and will also broadcast DAZN’s games (agreed in March 2022).
- On 29 September Telefónica will hold the first edition of the event “Telefónica Metaverse Day” about the metaverse and other emerging technologies.
- The event is advertised as “Metaverse Day: expand reality and dive into the future” and starts making reference to “the development of the 5G infrastructure and future 6G networks and the emergence of immersive devices together with the decentralisation of the web is increasingly enabling the fusion between a digital world and an analog world.”
Contact(s) – briefing contribution: